25X1 CENTRAL INTELLIGENCE AGENCY Approved For Release 2003/08/12 : CIA-RDP82-00457R007600380009-2 information report 25X1 CD NO. 31 MAY 51 DATE DISTR COURTRY Ohina SUBJECT NO. OF PAGES 3 Niscellaneous Comments on North China Economic Situation 25X1 PLACE NO. OF ENCLS. ACQUIRED DATE OF SUPPLEMENT TO 25X1 INFO. REPORT NO. HE OF CECA" CLETABLE INCOMPTON AS TRAINED THE CATIGNAL TWO PARTY STATES WITHIN WE CLETABLE IN THE EXPONENT WAS CONTINUED BY THE EXPONENT OF THE WAS CONTINUED BY AN ACCORDING TO AN CONTINUED BY AN ACCORDING TO AN CONTINUED BY AN ACCORDING TO AN CONTINUED BY ACCORDING TO AN CONTINUED TO PERSON OF THE WORLD OF CHARACTER OF THE WORLD OF CHARACTERS OF THE WORLD OF CHARACTERS OF THE WORLD OF THE WO THIS IS UNEVALUATED INFORMATION 25X1 Taxes. Industrial and commercial firms holding business licenses are required

- to pay the industrial and commercial tax, the income tax, and the commodity tax. The industrial and corrected tax is levied in the following menner: the Administration of Industry and Commerce allocates to each category of business a certain quota of the tax for which it is remonsible; then the officials of the Trade Association assign to each member the exact amount for which he is responsible. The income tax is levied at a flat rate of 15 percent on the income earned which is computed as the total value of cash assets and stock in a compercial or an industrial concern (calculated at the prevailing market rate) minus cost. The commodity tax is mayable when any product is shipped from the factory or when imported cargo reaches the consignee. The industrial and commercial tax and the income tax must be declared each month, although collections are rade on a seasonal basis. Persons who do not hold business licenses are known as traveling merchants. They must register and provide guarantees for the issuance of traveling merchants' licenses and are required to pay a traveling merchants tax for each transaction which they conclude. This tax is computed at the rate of five percent of the selling price of the composity.
- 2. Government Bonds. No new government bonds have been floated recently.
- 3. Cther Levies. Ordinarily levies include the real estate ownership levy, the house tax, the land levy, sanitation charges, the entertainment levy (the minimum taxable amount is JNP 30,000), food levy (minimum taxable amount is JNP 10,000), license levy, and the stamp tax. All of these are imposed by express provisions of law. In addition, there are also contributions such as the Anti-America and Aid Korea contributions and investment in the North China and South China Investment Company. These contributions and investments are voluntary but in practice they can be raised only by compelling people to pay.
- h. <u>Customs</u>. Lethods employed for calculating customs duties are essentially the same as those used under the Kuomintane retire although tariff rates have been changed, i.e., higher rates are charged on important luminies and lover rates on subplies needed in important industries. Exports are classified into three categories:

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- a. Controlled Imports. These are exercit from customs duties.
- b. The result of the second of private business and and exerct from customs luties with the exception of pristles, on which a 30 percent thriff is charged.
- c. Ther confidites not listed above may be exported under ordinary export learning on the customs duties thereon are levied according to the knort Customs Duties Regulations of 1934 (as revised September 1949). However, a decree of 28 June 1949 exempts all duties on exports.
- 5. Port and Twort Trade. Before foreign exchange was frozen, all important corrections not produced in China were imported by overment import trade gencies, but after foreign exchange was frozen, a large portion of these are been left for private importers to handle. The commodities include transportation and telecommunication sumplies, casoline, becomes, lubricating oil, sumplies required for reconstruction numbers, machinery, scientific instruments, clinical instruments, and medical sumplies. At present most of these items are smurgled into China from

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- firms within China who handle imports from Europe, e.g., Belgium and Tast Germany, and South Aferica. The government agency in charge of importement bolicy is the Central People's Government Trade Administration. The China Sumplies Commany deals with the sale of imported commo lities, and the China Trust Commany is responsible for arranging orders and making introductions.** The Government has not yet placed restrictions on persons engaged in importing and exporting but restrictions already placed on foreign exchange and the freezing of foreign exchange have made it very difficult for most importers and exporters.
- 6. Salary Scale. The salary of an ordinary apprentice administrative employee is 200 catties of millet per month. A regular employee receives 300-600 catties of millet, which is sufficient only to maintain a minimum standard of living for two persons. As a result the average mublic employee is quite perturbed. The salary of school teachers also begins at 300 catties of millet but university professors receive much more and are the highese paid of the salaried class. Their maximum solary is 1200 catties of millet. Workmen in government factories are the best mid. An ordinary worker receives 400-500 catties of millet each month; a foreman receives as much as 600-700 catties; and a technician may receive over 1000 catties.
- 7. Corrolity Prices. Actual market prices are practically identical with those quoted in the local newspapers with the exception of the price of flour which increased a little about three months ago. The price of other composities has remained quite stable.
- 8. Purchasing Power. The purchy sing power of the public in general has been steadily declining and no parket exists for composities other than daily necessities. Business has been very dult. In the past two years the Soviet personnel have purchased large quantities of goods, including furs. Duropean dresses and cameras, but their buying rush has stormed since the spring. The Russians are very particular about burgaining over prices and are not as generous as the Americans. They usually buy consumers goods. Clothing and furs compose their large to purchases, with cosmetics coming next. Very few of the Bussians buy curios and art objects

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9. The Failan Fining Company In Farch 1050, after the Chinese Communists took over, there was a large-scale strile in the Failan Fining, officiary. The Communist authorities punished all the ringleaders as traitors and increased the pay of all other workers. Things have been going smoothly ever singe. The average riner receives three bags of flour, half a ton of coal, and 20 units of remmeration in lind waid each month. Finers ruke up to a total of about JTP 500,000. Shilled workers and engineers set even more than the average worker, but the salary of remagnent personnel is not any higher than that of the miner. The mine costs about JTP 50,000,000,000 (about HK 10,000,000) a month to operate. It has over 5,200 miners and over 1,000 management personnel. The output of the mine is sufficient to peet the demand in North China and the Northeast. There is also a surplus to be shipped to Japan to exchange for other commodities.

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Comment: Up to now in Tientsin a great portion of the industrial and concertial tax was shouldered by the import and export trade. Now since these firms are joing tractically no business at all, the authorities are trying to shift the burden to other business concerns. Consequently most of these firms find the selves hard hit because they bear a large share of taxes and cannot the one of their stock on hand. The only exception is the trading in metal works and electrical supplies which deals with government authorities. These companies are able not only to beep on but also to make money.

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exports had not yet been placed under unified control. Governmentoperated companies such as The Cil and Lard Company. The Bristles Company. The Fur and Hide Company. The Tgg Co., and the Native Products Co. were all in operation.

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